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CO-EXAMINERS IN BOOK-KEEPING FOR THE SOCIETY OF ARTS

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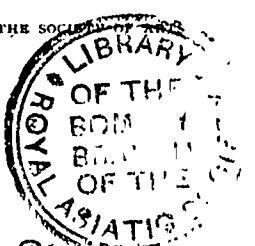

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PREFACE.

A KNOWLEDGE of the theory and practice of accounts is an important part of the education of every man. It enables him to exercise a due control over his own affairs, or the affairs of others which may be intrusted to him. If he is a merchant, he can ascertain with ease and certainty what he possesses, and whether or not his means justify him in entering into certain speculations and investments. He can see which of his investments have proved profitable and ought to be pursued, and which unprofitable and ought to be discontinued; and he is able to provide to a large extent against error and fraud in the conduct of his business. If he is simply in the receipt of an income from professional or other sources, he knows exactly how his income has accrued, and how it has been spent or invested. He can compare his expenditure for similar objects during different periods, and has his attention directed to any heads under which he may with advantage retrench.

Such a knowledge, however, is not at all common. The reasons are, that its great value does not seem to be generally appreciated, and that the subject is seldom properly taught.

A knowledge of book-keeping does not imply an extensive knowledge of business. The former can be acquired by study, the latter by experience only. It is not our intention to attempt a description of every variety of transaction which occurs in the course of business, but to lay down and illustrate those general principles by the intelligent application of which all problems in book-keeping can be solved.

LONDON,
August 1, 1868.

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BOOK-KEEPING.

Accounts may be defined as registers of facts relating to money. The fundamental principle of keeping these registers is that they shall be complete records of such *facts*, and of *facts* only.

In very ancient times accounts were kept by means of tallies and chalk-marks, but for many centuries it has been the custom to reduce them into writing and to record them in books. To this operation the term 'Book-keeping' has been applied.

A mere chronological register of pecuniary facts was soon found insufficient. From such a register the merchant could not tell, without going through every item, how he stood in relation to his various customers, and whether his business was profitable or not. It became necessary that his transactions should be also classified under the names of the various persons dealt with and of the various articles dealt in. This grouping of transactions in separate accounts for the various persons and articles affected by them, led gradually to a perception of the fact that *every* pecuniary transaction has a twofold effect. It became evident that every such transaction is a transfer of money or money's worth, and, being a transfer, that it necessarily involves a giver and a

receiver, and requires an entry to be made both in the account which is diminished, and in the account which is increased. The application of this principle resulted in the method of 'Double Entry'—a method equally applicable to every description of accounts, whether commercial, public, fiduciary, or private; a method simple in its design, and perfect in its results.

Double Entry in a crude and imperfect form appears to have been known to the ancient Greeks and Romans; and there is no doubt that by every merchant or trader, at however remote a period, who endeavoured to record his transactions with exactness, it must have been to some extent employed. Take a very simple case: a corn-dealer who chalked upon the vessel in which he kept his corn the number of measures taken out, and upon his door the number supplied to his customers, under a special mark for each, kept these accounts by Double Entry in a crude form. It was not, however, till A.D. 1495 that the first treatise on book-keeping was produced. It was the work of an Italian teacher, Lucas de Burgo, who detailed the system in use by the intelligent merchants of his day in the trading towns of Italy, since known as the Italian system. This plan, providing, as it did, for the record of the twofold effect of every pecuniary transaction, embodied the vital principle of the method of 'Double Entry;' and although the details and mode of applying the principle have naturally been improved with subsequent experience, yet, under all varieties in the actual practice, the principle itself remains the same.

To record the twofold effect of each transaction involves two separate operations. What is parted with must be deducted from the account (that is the collection

of items) from which it is taken, and what is received in exchange must be added to the account which is increased by it. Instead however of subtracting the amount parted with from each account, experience at a very early period shewed that it was a more convenient and better plan to appropriate one part of each account to the entry of amounts received, and another to the entry of amounts parted with, leaving the state of each account to be ascertained by a comparison of the two parts of it. The book in which all transactions are so classified and arranged is called the Ledger.

In **The Ledger**, therefore, each account is divided vertically into two parts: the one on the left hand, which is technically called the *debtor* side; the other on the right hand, which is technically called the *creditor* side. At first sight the aptness of these terms, except in so far as they are correlative, is not very striking. It becomes so, however, when illustrated by an example between persons. Thus, if A parts with anything to B; *to the extent of that thing's value and so far as that transaction is concerned,* B is A's debtor. And if A receives anything from B; *to the extent of that thing's value and so far as that one transaction is concerned,* B is A's creditor.* The same is true in the case of articles, or of gains or losses, as well as of persons. For all accounts in the Ledger may be regarded as accounts of persons, that is, as accounts either of the merchant himself, or of persons entrusted with commodities on his behalf (see p. 7), or of

* It cannot be too carefully borne in mind that in determining the effect of a particular transaction, that transaction *alone* is to be considered. Thus, I may owe John Smith £100, but when I pay him £20, so far as that payment is concerned he is my debtor for £20.

the persons with whom he deals. In book-keeping sense, however, the term 'personal accounts' is applied only to accounts of persons with whom the merchant deals; while the term 'impersonal'* is applied to the several accounts in which the merchant's property is classified and his gains and losses recorded.

Every transaction is, as we have said, a transfer, and involves a giver and a receiver. Each account therefore, whether personal or impersonal, is the debtor of some other account for what it receives, and the creditor of some other account for what it parts with. If any pecuniary transaction occasions a gain or a loss, such gain or loss appears in the account where it has accrued.†

The words 'Debtor' and 'Creditor' are usually written **Dr.** and **Cr.** Each entry on the Dr. side of an account in the Ledger is prefaced by the word **To**, that is, debtor to; and on the Cr. side by the word **By**, that is, creditor by. To enter on the Dr. side of an account is called to debit the account; to enter on the Cr. side of it, to credit the account.

The difference between the totals of the entries on the two sides of an account is called its **Balance**. If the sum of the entries on the Dr. side of an account is greater than the sum of the entries on the Cr. side of it, the difference is called a Debit balance. If the sum of the entries on the Cr. side of an account is greater than the sum of the entries on the Dr. side of it, the difference

* Sometimes these accounts are further divided, and described as 'real' or 'nominal' accounts, according as they represent property, or gains and losses.

† See foot-note on p. 8.

is called a Credit balance. An account is said to balance when the credit and debit sides are of the same amount.

A man's property and the sums owing to him are called his **Assets**; the sums owing by him, his **Liabilities**. The surplus of his assets over his liabilities constitutes what is termed his **Capital**.

We now proceed to illustrate the principle of Double Entry by analysing a series of dissimilar transactions, and shewing that however they differ in their nature and effect from one another, yet each has a distinct and intelligible twofold operation. The following examples are supposed to be taken from the consecutive register of John Ward's pecuniary transactions. This register, being a complete record of the facts relating to his business, begins with a list of his assets and liabilities. It contains a statement of all the goods he buys and sells, of all the money he receives and pays, and of all his other pecuniary transactions. In this imaginary series of transactions we have, for the sake of simplicity, omitted all merely explanatory details. But the original registers of actual transactions, though concise, should be so comprehensive as to leave no possibility of doubt arising as to the nature of every item recorded.

The first arrangement which suggests itself in recording transactions as they occur is that their money value should be entered in a part of the record appropriated to the purpose. This is generally accomplished, as in the following examples, by having a column for money on the right hand side of the page.

John Ward's Assets and Liabilities at commencement are as follows:—

		£	s.	d.
ASSETS—	Due to him by T. Jones	100	0	0
	Wine on hand	1000	0	0
	Cash on hand	200	0	0
		1300	0	0
LIABILITIES—Due by him to J. Smith		50	0	0

His transactions during the first month are as follows:—

	£	s.	d.
*(1) Sold Wine for Cash	10	0	0
(2) Bought Wine for Cash	100	0	0
(3) Sold J. Smith, Wine	50	0	0
(4) Bought of F. Brook, Wine	75	0	0
(5) Received T. Jones's acceptance in payment of amount due †	100	0	0
(6) Accepted F. Brook's draft ‡	75	0	0
(7) Lent Cash to J. Smith	20	0	0
(8) Paid Salary of Clerk	10	0	0
(9) Paid Cash for Insurance	10	0	0
(10) Discounted T. Jones's acceptance for £100, and received in Cash £99, and allowed for discount £1	100	0	0
(11) Bought Wine of F. Brook	100	0	0
(12) Paid F. Brook Cash £98, and received Discount £2	100	0	0
(13) Consigned to P. Walker, to be sold by him on my account and risk, Wine invoiced § at	225	0	0
(14) Received Cash from P. Walker on account of Consignment of Wine	100	0	0
(15) Received Account Sales‖ from P. Walker, shewing that the above Consignment of Wine realized (net)	285	0	0
(16) Received in Cash from P. Walker the balance of the amount realized by the sale of the Wine consigned to him	185	0	0
(17) Paid Cash for purchase of Business Premises	300	0	0

The numbers opposite each item refer to corresponding numbers given in the Ledger hereafter.

† T. Jones, instead of paying cash down, gives an undertaking, on stamped paper, to pay £100 on a specified day.

‡ John Ward, instead of paying cash down, gives an undertaking, on stamped paper, to pay £75 on a specified day.

§ An invoice is a document which describes the nature, quantity, and prices of the goods, and the names of the purchaser and the seller.

‖ An Account Sales is an account of merchandise sold, rendered by the person to whom they were consigned.

* The first pecuniary fact that John Ward has to deal with is the state of his affairs at commencement. It is manifestly of importance that he should be able to see at one view what the amount of his capital is, he therefore opens an account for this purpose in the Ledger under his own name—'John Ward (Capital account).' Sometimes this account is opened under the title of 'Stock.'

An account is opened in the Ledger by writing the name of it either across the head of both sides, or only on the Dr. side, with or without the word Contra on the Cr. side, at the option of the book-keeper. The title of each account should be as brief as possible, and yet so exact as to admit of no doubt arising as to its nature. The Ledger should be paged throughout, and provided with an index in which each account should be entered in alphabetical order with the number of its page, for facility of reference.

He first enters his assets in separate accounts for 'T. Jones,' 'Wine,' and 'Cash.' 'T. Jones' being his debtor for £100, he enters £100 on the Dr. side of T. Jones's account. He treats 'Wine' and 'Cash' as persons entrusted with these commodities on his account, that is, as his debtors for £1,000 and £200 respectively, and he enters, accordingly, £1,000 on the Dr. side of the 'Wine' account, and £200 on the Dr. side of the 'Cash' account.

'T. Jones,' 'Wine,' and 'Cash' being thus regarded as his debtors for the several sums of £100, £1,000, and £200, he is their creditor for those amounts, which he therefore enters on the Cr. side of his own account—'John Ward (Capital account).' This entry he may make, as has been done at p. 13, in one total amount, £1,300.

* The student should now refer to pp. 13–15, and follow carefully the entry of each transaction in the Ledger.

The words technically used in making the entry in the Ledger to describe such an aggregate of accounts are, 'By sundries,' that is, by the amount of sundry accounts.

He next enters his liabilities. J. Smith is his creditor for £50. He therefore opens an account for J. Smith, and enters £50 on the Cr. side of it. Being J. Smith's debtor for £50, he enters £50 on the Dr. side of his own account — 'John Ward (Capital account)' — which now shews all his assets and liabilities.

This entry, under the proper heads, of the state of a man's affairs is called **opening the books.** As the assets and liabilities are entered in separate accounts, on the Dr. and Cr. sides respectively, and the *totals* of the assets and liabilities are entered in the general account—'John Ward (Capital account)'—on its Cr. and Dr. sides respectively, therefore by the axiom, 'The whole is equal to the sum of its parts,' the totals of the debit and credit entries must agree.

His first transaction is—

(1) * *Sold Wine for Cash* £10

Here his cash is increased by an addition of £10, and his wine is lessened, to the value of £10, by wine parted with. In other words, 'Cash' increases its liability to him by £10, and 'Wine' lessens its liability to him by the same amount. He therefore enters £10 on the Dr. side of the 'Cash' account, thereby increasing it by £10, and, instead of deducting £10 from the Dr. side of the 'Wine' account,

* This and similar transactions may cause a gain or a loss, and to the extent of such gain or loss his capital is affected. But it would generally be very difficult, and often impossible, to tell exactly what the gain or loss on each individual transaction has been. He therefore postpones for the present any entry under his Capital account, leaving the net gain or loss on all the transactions recorded to be ascertained, and transferred to that account in one amount, when he closes his books (see pp. 16, 17).

he does what has precisely the same effect (see p. 3), he enters £10 on the credit side of it.

(2) *Bought Wine for Cash* £100

Here Wine is increased by £100, and Cash lessened by £100. He therefore debits 'Wine' and credits 'Cash.'

(3) *Sold J. Smith, Wine* £50

Here J. Smith becomes his debtor for £50. He therefore debits J. Smith's account with that amount. Wine is lessened by £50. He therefore credits 'Wine' with £50.

(4) *Bought of F. Brook, Wine* £75

Here Wine is increased. He therefore debits 'Wine' with £75. Not having paid Brook for the wine, Brook becomes his creditor for £75. He therefore opens an account for 'F. Brook,' and credits him with £75.

(5) *Received T. Jones's acceptance in payment of amount due* £100

Had Jones paid his debt in money, 'Cash' would have been debited as in (1). But Jones has paid by handing over a bill which becomes part of John Ward's property, and of which it is necessary that an account should be kept. Ward therefore opens such an account under the title of **Bills Receivable**, and debits it with £100, the amount of the bill received by him. 'T. Jones' having given the bill, is credited with the amount of it.

It must be remembered, however, that Jones has only exchanged one form of liability for another, and that the 'Bills Receivable' account represents, in aggregate, the persons liable for the payment of bills.

(6) *Accepted F. Brook's draft* £75

His liability to F. Brook being thus contingently dis-

charged, he debits 'F. Brook' with £75. But what account is he to credit? Had he paid in money he would have credited 'Cash' as in (2), but as he has paid by giving a bill, it is necessary that he should open an account for **Bills Payable** by him. This account he credits with £75, the amount of F. Brook's draft.

The effect would have been similar if, instead of giving Brook a bill, he had got a temporary advance of £75 in cash to meet the payment. In that case he would have credited the lender with the advance of £75; in this case he credits 'Bills Payable.'

'Bills Payable' thus represents, in aggregate, the persons to whom the merchant is indebted for the payment of bills.

(7) *Lent Cash to J. Smith* £20

Here Smith becomes his debtor for £20, and Cash is lessened by that amount. He therefore debits 'Smith' and credits 'Cash.'

(8) *Paid Salary of Clerk* £10

Here Cash is lessened by £10. He therefore credits 'Cash.' But what account is he to debit, having received no description of property in exchange? His assets are reduced by £10, and he might at once debit his own account — 'John Ward (Capital account)' — with £10. But a chief object of book-keeping being to shew the result of his transactions in respect of profit and loss, and how both arise, it is necessary to open accounts which shall exhibit on the one hand the gains and on the other the losses and expenses. One class of expenses is 'Salaries.' He accordingly opens an account under that head, and debits it with £10.

(9) *Paid Cash for Insurance* £10

This transaction is similar to the last. He credits 'Cash' with £10 and opens an account for 'Insurance,' which he debits with £10.

(10) *Discounted T. Jones's acceptance and received in Cash £99, and allowed for Discount £1* . £100

Here he parts with one of the bills receivable by him. He therefore credits the account of 'Bills Receivable' with £100.* As he receives £99 in cash, he debits 'Cash' with that amount. He incurs an expense of £1 in discount. His assets consequently are reduced by £1. As in (8) and (9), he raises an account for 'Discount,' which he debits with £1.

(11) *Bought Wine of F. Brook* £100

Here, as in (4), he debits 'Wine' and credits 'F. Brook.'

(12) *Paid F. Brook £98 in Cash, and received Discount £2* £100

As the whole liability of £100 to F. Brook is discharged by this transaction, he debits 'F. Brook' with £100. Cash is lessened by £98. He therefore credits 'Cash.' He gains £2 by discount, increasing his assets by that amount, he therefore credits 'Discount' with £2.

(13) *Consigned to P. Walker, to be sold by him on my account and risk, Wine invoiced at* . . . £225

Here his stock of wine is decreased by the value of the consignment. He therefore credits 'Wine' with £225. P. Walker being simply his agent and not the purchaser of the wine, cannot be debited. It is necessary however that

* It must be borne in mind, however, that Ward is liable to the discounter of the bill in the event of its being returned dishonoured.

he should open an account to shew where his property is. This he does under the descriptive title, 'Consignment of Wine to P. Walker,' and he debits it with the invoiced value of the wine, viz. £225.

(14) *Received Cash from P. Walker on account of Consignment of Wine* £100

He now opens an account for 'P. Walker,' which he credits with the £100, and he debits 'Cash' with the receipt of £100.

(15) *Received Account Sales from P. Walker, shewing that the above consignment of Wine realized (net)* £285

P. Walker now becomes his debtor for the amount realized. He therefore debits the account of P. Walker and credits 'Consignment' with the amount realized, viz. £285.

(16) *Received Cash from P. Walker, being balance of amount realized by consignment of Wine* . £185

P. Walker is now no longer his debtor. He therefore credits 'P. Walker' with £185, which balances his account, and he debits 'Cash' with the receipt of the same amount.

(17) *Paid Cash for purchase of Business Premises* . £300

He has now converted part of his cash into another description of property, for which it is necessary to open an account. This he does under the title of 'Business Premises,' debiting it with the £300, and crediting 'Cash' with the same amount.

The entries of the foregoing transactions stand in his Ledger as follows:—

LEDGER.

Note.—The accounts are placed in the following order as the most convenient for explaining the process of balancing (pp. 16–19).

Dr. JOHN WARD (CAPITAL ACCOUNT). **Cr.**

	£	s.	d.		£	s.	d.
To J. Smith	50	0	0	By Sundries	1300	0	0

Dr. BUSINESS PREMISES. **Cr.**

*(17) To Cash	300	0	0				

Dr. WINE. **Cr.**

To J. Ward (Capl. Acct.).....	1000	0	0	(1) By Cash.....	10	0	0
				(3) By J. Smith	50	0	0
(2) To Cash.....	100	0	0	(13) By Consignment to P. Walker	225	0	0
(4) To F. Brook	75	0	0				
(11) To Do.	100	0	0				

Dr. CASH. **Cr.**

To J. Ward (Capl. Acct.).....	200	0	0	(2) By Wine.....	100	0	0
				(7) By J. Smith (Loan)	20	0	0
(1) To Wine	10	0	0	(8) By Salaries	10	0	0
(10) To Bills Receivable	99	0	0	(9) By Insurance	10	0	0
(14) To P. Walker ..	100	0	0	(12) By F. Brook	98	0	0
(16) To Do. ..	185	0	0	(17) By Business Prem.	300	0	0

* The numbers prefixed to the entries refer to corresponding numbers given to the separate transactions.

Dr. BILLS RECEIVABLE. **Cr.**

	£	s.	d.		£	s.	d.
(5) To T. Jones	100	0	0	(10) By Cash.....	99	0	0
				„ By Discount	1	0	0

Dr. BILLS PAYABLE. **Cr.**

				(6) By F. Brook	75	0	0

Dr. T. JONES. **Cr.**

To J. Ward (Cap^{l}. Acct.).....	100	0	0	(5) By Bills Receivable	100	0	0

Dr. J. SMITH. **Cr.**

(3) To Wine	50	0	0	By J. Ward (Cap^{l}. Acct.).....	50	0	0
(7) To Cash.....	20	0	0				

Dr. F. BROOK. **Cr.**

(6) To Bills Payable..	75	0	0	(4) By Wine.....	75	0	0
(12) To Cash.....	98	0	0	(11) By do.....	100	0	0
„ To Discount	2	0	0				

Dr. P. WALKER. **Cr.**

(15) To Consignment of Wine (net prcds.)	285	0	0	(14) By Cash.....	100	0	0
				(16) By do.....	185	0	0

Dr. CONSIGNMENT OF WINE TO P. WALKER. **Cr.**

	£	s.	d.		£	s.	d.
(13) To Wine	225	0	0	(15) By P. Walker....	285	0	0

Dr. SALARIES. **Cr.**

(8) To Cash.	10	0	0				

Dr. INSURANCE. **Cr.**

(9) To Cash..	10	0	0				

Dr. DISCOUNT. **Cr.**

(10) To Bills Receivable	1	0	0	(12) By F. Brook	2	0	0

In order to ascertain the gain or loss resulting from the transactions recorded, he proceeds as follows:—

He first abstracts the totals of all the Dr. entries and of all the Cr. entries from his Ledger. As for every transaction the Dr. entry (or entries) is equal to the Cr. entry (or entries), the totals of the Dr. and Cr. sides, if the entries are correctly made, must agree.

This operation, which is a most valuable check upon the arithmetical accuracy of the entries, is called making a **Trial Balance.**

The trial balance of the foregoing Ledger is as follows, viz.:—

TRIAL BALANCE.

	Drs.			Crs.		
	£	s.	d.	£	s.	d.
John Ward (Capital Account) . .	50	0	0	1300	0	0
Business Premises	300	0	0			
Wine	1275	0	0	285	0	0
Cash	594	0	0	538	0	0
Bills Receivable	100	0	0	100	0	0
Bills Payable				75	0	0
T. Jones	100	0	0	100	0	0
J. Smith	70	0	0	50	0	0
F. Brook	175	0	0	175	0	0
P. Walker	285	0	0	285	0	0
Consignment (P. Walker) . .	225	0	0	285	0	0
Salaries	10	0	0			
Insurance	10	0	0			
Discount	1	0	0	2	0	0
	3195	0	0	3195	0	0

Finding the totals of the Dr. and Cr. entries agree, he proceeds to make what are called *closing entries;* strictly, they ought to be called *equalising entries.* No such entries are required in accounts where the totals of the Dr. and Cr. sides are equal, for such accounts are already closed. In these cases he merely inserts the total on each side, and draws a line underneath.

Where the totals of the two sides do not agree, he transfers the difference or balance, so far as it represents a gain or a loss, to a general account of 'Profit and Loss;' and the balance of this account of 'Profit and Loss he transfers to his own account—'John Ward (Capital account).' The remaining balances represent

only assets or liabilities. He closes the accounts in which they appear by inserting such balance at the foot of the lesser side of each account, and also the totals which now agree. He then opens new accounts in the Ledger under the same titles, or, if there is room, continues the accounts on the same pages, and in these new accounts enters the balances on the proper side, that is, the side opposite to that on which they were entered to close the old accounts, thus maintaining the continuity of the record.

* His course is as follows: He first values his business premises. Having only recently purchased them, he fairly values them at the amount he gave for them, viz. £300. This amount, being an asset, he carries forward to a new account for 'Business Premises,' by crediting the old account, and debiting the new with £300.

He next ascertains the quantity and estimates the value of his goods on hand; in this case only wine. The operation by which this value is arrived at is called Taking stock. We will assume that it amounts to £980. This asset he carries forward to a new Wine account by debiting it, and crediting his old Wine account with £980. On adding up the two sides of his Wine account, he finds that the total of the debits exceeds the total of the credits by £10. The debits being composed of his stock at commencement and his purchases, and the credits being composed of his deliveries and his stock on hand at the close, it is clear that he has made a loss on this account of £10. He now opens his general account of 'Profit and Loss,' and debits it with the loss of £10, on

* The student should now refer to pp. 19–22, and follow carefully each entry in the Ledger.

the same principle on which he debited 'Salaries,' an account subsidiary to 'Profit and Loss' (see p. 10); and he closes the old Wine account by crediting it with the loss of £10.*

He next takes his 'Cash' account. If that account has been correctly kept, his cash in hand must be the difference between the totals of the two sides of the account, viz. £56. This asset he carries forward to a new Cash account by crediting the old account and debiting the new account with £56.

His 'Bills Receivable' account shews no balance.

His 'Bills Payable' account shews a credit balance of £75. This liability he carries forward to a new Bills Payable account, by debiting the old account and crediting the new account with £75.

On J. Smith's account there is a debit balance of £20. This asset he carries forward to a new account for 'J. Smith' by crediting the old account and debiting the new with £20.

The accounts of 'F. Brook' and 'P. Walker' shew no balance.

The 'Consignment' account shews a credit balance of £60. The Consignment has all been sold. This balance therefore represents a gain, for it is the excess of the amount realized by the sale of the wine consigned, beyond its invoiced price. This gain of £60 he therefore carries to the credit of 'Profit and Loss,' closing the 'Consignment' account by debiting it with that amount.

* In practice, the entry in the Ledger of the gain or loss always precedes the entry of the balance in hand (although arrived at by the process described), in order that the same item may terminate the old account and begin the new account.

The accounts of 'Salaries,' 'Insurance,' and 'Discount' are all subsidiary to the general account of 'Profit and Loss.' He closes them, in the case of 'Salaries,' by crediting it and debiting 'Profit and Loss' with £10; in the case of 'Insurance,' by crediting it and debiting 'Profit and Loss' with £10; and in the case of 'Discount,' by debiting it and crediting 'Profit and Loss' with £1.

He now adds up his **Profit and Loss account**, which shews on the one side all his gains and how they arise, and on the other all his losses and expenses, and finds that it produces a credit balance of £31, which is his net gain on the transactions recorded. This balance of £31, being an increase to his capital during the period, he transfers to his own account—'John Ward (Capital account),'—by crediting that account and debiting 'Profit and Loss' with it.

The account 'John Ward,' which now shews a credit balance of £1281, he closes by transferring that balance to a new account for 'John Ward,' debiting the old account and crediting the new account with £1281.

The totals of both sides of each of the old accounts in his Ledger are now exactly equal, and the Ledger is said to be closed. It stands as follows:—

Dr. JOHN WARD (CAPITAL ACCOUNT). **Cr.**

	£	s.	d.		£	s.	d.
To J. Smith	50	0	0	By Sundries	1300	0	0
To Balance carried down	1281	0	0	By Profit and Loss... ...	31	0	0
	1331	0	0		1331	0	0
				By Bal. brought down..	1281	0	0

Dr. BUSINESS PREMISES. **Cr.**

	£	s.	d.		£	s.	d.
(17) To Cash.....	300	0	0	By Bal. carried down ..	300	0	0
To Bal. brot. down	300	0	0				

Dr. * WINE. **Cr.**

To J. Ward (Capl. Acct.).....	1000	0	0	(1) By Cash.....	10	0	0
				(3) By J. Smith	50	0	0
(2) To Cash.....	100	0	0	(13) By Consignment to P. Walker	225	0	0
(4) To F. Brook	75	0	0	By Profit and Loss	10	0	0
(11) To do.	100	0	0	By Bal. carrd. down	980	0	0
	1275	0	0		1275	0	0
To Bal. brot. down	980	0	0				

Dr. CASH. **Cr.**

To J. Ward (Capl. Acct.).....	200	0	0	(2) By Wine	100	0	0
				(7) By J. Smith (loan)	20	0	0
(2) To Wine	10	0	0	(8) By Salaries.....	10	0	0
(10) To Bills Receivable	99	0	0	(9) By Insurance	10	0	0
(14) To P. Walker....	100	0	0	(12) By F. Brook	98	0	0
(16) To do.	185	0	0	(17) By Business Prem.	300	0	0
				By Bal. carrd. down	56	0	0
	594	0	0		594	0	0
To Bal. brot. down	56	0	0				

Dr. BILLS RECEIVABLE. **Cr.**

(5) To T. Jones.....	100	0	0	(10) By Cash.....	99	0	0
				„ By Discount	1	0	0
	100	0	0		100	0	0

* It is conceivable that the loss under this head may have wholly or in part arisen from an undervaluing of the Wine consigned, in which case the profit on the 'Consignment' would have been so much less.

Dr. BILLS PAYABLE. **Cr.**

	£	s.	d.		£	s.	d.
To Bal. carried down..	75	0	0	(6) By F. Brook	75	0	0
				By Bal. brot. down	75	0	0

Dr. T. JONES. **Cr.**

To J. Ward (Capt. Acct.)	100	0	0	(5) By Bills Receivable	100	0	0

Dr. J. SMITH. **Cr.**

(3) To Wine	50	0	0	By J. Ward (Capt. Acct.)	50	0	0
(7) To Cash	20	0	0	By Bal. carried down ..	20	0	0
	70	0	0		70	0	0
To Bal. brot. down	20	0	0				

Dr. F. BROOK. **Cr.**

(6) To Bills Payable..	75	0	0	(4) By Wine	75	0	0
(12) To Cash.....	98	0	0	(11) By do.	100	0	0
„ To Discount	2	0	0				
	175	0	0		175	0	0

Dr. P. WALKER. **Cr.**

(15) To Consignment of Wine, net prcds.	285	0	0	(14) By Cash.....	100	0	0
				(16) By do.	185	0	0
	285	0	0		285	0	0

Dr. CONSIGNMENT OF WINE TO P. WALKER. **Cr.**

	£	s.	d.		£	s.	d.
(13) To Wine.....	225	0	0	(15) By P. Walker....	285	0	0
To Profit and Loss	60	0	0				
	285	0	0		285	0	0

Dr. SALARIES. **Cr.**

(8) To Cash	10	0	0	By Profit and Loss....	10	0	0

Dr. INSURANCE. **Cr.**

(9) To Cash	10	0	0	By Profit and Loss....	10	0	0

Dr. DISCOUNT. **Cr.**

(10) To Bills Receivable	1	0	0	(12) By F. Brook	2	0	0
To Profit and Loss	1	0	0				
	2	0	0		2	0	0

Dr. PROFIT AND LOSS. **Cr.**

To Wine	10	0	0	By Consignment (P.			
To Salaries.....	10	0	0	Walker)	60	0	0
To Insurance.....	10	0	0	By Discount.....	1	0	0
To J. Ward (Cap^{l}. Acct.)							
for Bal., net profit..	31	0	0				
	61	0	0		61	0	0

The new accounts have now been opened with the balances outstanding upon the old. These balances which represent the state of the concern at the close are as follows:—

	Dr. Balances.			Cr. Balances.		
	£	s.	d.	£	s.	d.
John Ward				1281	0	0
Business Premises . . .	300	0	0			
Wine	980	0	0			
Cash	56	0	0			
Bills Payable				75	0	0
J. Smith	20	0	0			
	1356	0	0	1356	0	0

Every account in the Ledger has been adjusted to the same moment of time, and the actual state of the concern appears in the foregoing Dr. and Cr. balances, which are conveniently arranged in the following form, designated a Balance Sheet:—

Dr. BALANCE SHEET. **Cr.**

LIABILITIES.	£	s.	d.	ASSETS.	£	s.	d.
To Bills Payable	75	0	0	By Business Premises..	300	0	0
To John Ward's Capital	1281	0	0	By Wine....	980	0	0
				By Cash.....	56	0	0
				By J. Smith	20	0	0
	1356	0	0		1356	0	0

From this it appears that the sum of £1281, at the credit of John Ward in the Ledger, is composed of assets of the value of £1356, less liabilities amounting to £75.

When the accounts commenced his assets were £1300, and his liabilities £50. The difference between the value of his assets less liabilities at starting, and his assets less liabilities at close, is £31, the amount appearing as the balance of the Profit and Loss account, which thus exhibits the process by which that result has been arrived at.

No doubt a merchant—provided he kept personal accounts with his customers, and knew how much he owed and how much was owing to him—might, without recording as we have done the full effect of every transaction, ascertain his profit or loss for any period by merely comparing the value of his assets less liabilities (if any), at starting, with the value of his assets less liabilities (if any), at the close, after making allowance for sums withdrawn by him. He could not tell, however, how the difference was occasioned. But by the system of Double Entry he knows exactly how his gains and losses have arisen, and how much of his gains have been consumed by various descriptions of expenses; because he keeps an account for every description of property on which it is desirable to know separately the gains and losses, for every description of expenditure for which he has received no property in exchange, and for every description of receipt in respect of which he has parted with no property. Further, the complete records which under this system are kept of each transaction, enable the merchant to act on all occasions with full knowledge; render it difficult for fraud committed on him to escape undetected; make the position of his affairs apparent; and furnish a self-acting check upon their own accuracy.

In manipulating the foregoing imaginary transactions we have carried each of them from the original con-

secutive record in which it appears directly to its proper accounts in the Ledger. We have shewn that the science of Double Entry consists in classifying in the Ledger all pecuniary transactions which occur in the course of business, that is in assigning each fact to its proper accounts. It will readily be perceived, however, that when the transactions are numerous, and many of them are similar in their nature, some classification in the original entry, in anticipation of their final classification in the Ledger, may with great advantage be made. The classification must necessarily to a large extent depend upon the nature of the business.

CASH BOOK.

Businesses of every sort involve the receipt and payment of money, and it is the universal practice to record all such transactions in a book set apart for the purpose, called the **Cash Book**. This book is the record of all moneys received and paid, and for purposes of convenience it is kept in Ledger fashion; that is, it is divided vertically, and the receipts are entered on the debit side and the payments on the credit side. Cash consists of money actually in hand and at the banker's, the Cash Book accordingly should contain the record of all receipts and payments of the banker on account of the merchant, as well as of the merchant himself. The process of checking the amount of cash in hand, a most necessary operation, and one of daily occurrence, is greatly facilitated by using separate columns for 'Banker's' and 'At Office.'

For petty disbursements a separate book is kept,

called the **Petty Cash Book.** This book is of the same form as the Cash Book. It contains on the debit side the amounts advanced to the Petty Cash keeper, and on the credit side the payments made by him.

BILL BOOKS.

Bills are undertakings to pay certain sums at certain times, and until the times of payment arrive they supply the place of Cash. As instruments of exchange they are very important, and it has been found convenient for purposes of reference, as well as conducive to their final classification in the Ledger, to keep distinct records of them. Bills are of two sorts, those payable *by* the merchant, and those payable *to* him. The former sort are entered in a book called the **Bills Payable** book. The latter are entered, when received, in a book called the **Bills Receivable** book. These books are usually ruled in columns to shew all the particulars of each bill—in fact to afford a complete abstract of it. They are generally furnished with two additional columns, one for the entry of a series of consecutive numbers, written also on the bills, for identification and facility of reference, and another to shew how each bill has been disposed of.

BOOKS FOR SALES AND PURCHASES, INSURANCES, &c.

The form and number of these books must necessarily depend upon the nature and extent of the business. The great point to be aimed at in their construction is to

provide separate books, or parts of books, for the entry of all transactions which similarly affect the same heads of account in the Ledger, in order that *totals* under each head may be arrived at from these books. A large amount of repetition in describing the particulars of similar transactions may often be avoided by a judicious use of columns and printed headings.

The classification of the original entries — in Cash Books, in Bill Books, and in Books for Sales and Purchases—materially lessens the labour of recording them in the Ledger. But this labour may be still further lessened and the classification consolidated by the employment of another book, called the **Journal.**

JOURNAL.

The Journal collects at convenient periods, usually monthly, the sums of all the transactions appearing in the various original records, and puts them in exact shape for entry in the Ledger, designating the side of each account in the Ledger on which the values are to be placed. The Journal also contains, and may be the original record of, all items which do not fall under the classification of Cash Books, Bill Books, &c., such as transfers from one account to another, or transactions between the partners of a concern. In journalizing (that is, entering in the Journal) any transaction, or group of similar transactions, the receiving account is entered as Dr. to the delivering account for the amount of the transaction. Thus the Journal entry of—

Sold Wine for Cash £10

is 'Cash Dr. to Wine, £10.' Further description of the transaction may be given in the Journal if necessary. Thus:—

Cash Dr. to Wine (for 5 doz. Sherry at 40s.) . . £10.

Such description is technically called The narration.

The Journal is usually ruled with two money columns: the one for the entry of all debits, the other for the entry of all credits. The totals of these columns for any period necessarily agree, and thus form a perfect check upon the totals of the debit and credit entries in the Ledger for the same period, thereby materially assisting the operation of balancing the Ledger. Where every item passes through the Journal the entries in the Ledger are purely mechanical. It is the practice, however, in many businesses to Post* each item directly from the Cash Books, Bill Books, Books for Sales and Purchases, Insurances, &c., to its proper head of account in the Ledger, and to pass the totals of these books only through the Journal. This plan, which we have illustrated in the Appendix, avoids much mere transcription; and as these entries in the Ledger are made daily, the state of the accounts of the various persons dealt with may be seen at any moment. The transactions which do not fall into the classifications accomplished by these books have to be journalized separately.

By means of these anticipatory classifications, completed by the Journal, the necessity of making two entries in the Ledger for each individual transaction is obviated, as the transactions are so collected and grouped that the

* To Post, in book-keeping sense, is to enter in Ledger.

result of several of them can be carried in total to the debit and to the credit of the accounts to which each individually relates. This condensation is not only most valuable for enabling us to arrive with ease and certainty at general results, but by avoiding mere repetition of details, it greatly lessens chances of error, and may, by a judicious division of the labour of entry, be made to act as a considerable check against fraud. It is, however, an indispensable condition of a condensation of items in the Ledger, that provision should be made, by means of references, for tracing the course of every individual transaction from its occurrence to its final record. Every set of books should be self-explanatory.

In trades where goods are sold in small quantities, it would involve an unnecessary amount of labour to keep an account for every article in the Ledger. In such cases one general account for Goods is found to be sufficient. This account should be debited periodically with the totals of all purchases and credited with the totals of all sales.

In the keeping of accounts there is no point of greater importance than the correct distribution of items, both of Receipt and Expenditure, under the heads of which **Capital** and **Revenue** are composed, Capital being the assets less liabilities, if any; and Revenue being the income derived from the Capital employed, shewn by the Profit and Loss account. Bearing in mind that Book-keeping, as is stated at p. 1, is a record of facts and of facts only, the student will perceive (1) that no expenditure should be placed or charged to Capital unless it has the effect of increasing the asset to which it is charged beyond the amount at which it is already valued in the books, and (2) that all receipts of money should be

credited to Capital which, issuing out of the assets, have the effect of reducing the assets (other than cash) below the amount at which they are valued in the books.

A periodical investigation into the value of the assets of any business is of great importance, and where the nature of the business and the character of the assets allow of the operation being satisfactorily performed, their value should be determined and the accounts of Capital and Revenue adjusted accordingly.

All expenditure which partakes of the nature of replacement, or the making good of wear and tear, clearly does not increase assets, and therefore should be charged to Profit and Loss. But all expenditure for additional buildings, or machinery, or for improvement of existing buildings or machinery, constituting absolute additions to their extent or efficiency, increases their value, and is therefore a legitimate charge to Capital. On the other hand, all receipts from the sale of premises or machinery lessen those assets, and ought to be credited to Capital.

It is a just and healthful provision in partnerships that the capital of the several partners be made subject to interest at a fixed rate, and that such interest form an element in the Profit and Loss account before its net balance is divided between them. Even where the concern belongs to one man, he should, before estimating his profits, calculate interest upon his capital invested.

The examples by which we have already illustrated the principle of Double Entry comprise every ordinary sort of financial transaction, and after a careful study of these the student will have no great difficulty in mastering the

fuller examples given in the Appendix. To become an expert book-keeper great practice is required; the examples given should be carefully worked by the student, and others should be set by the teacher. But the practice which is really valuable does not consist in copying transactions from one book to another, but in assigning each transaction to its proper heads of account.

The specimens given are of **Commercial** transactions, which, from their comprehensive range, afford the most varied illustrations of the principle of Double Entry, for the operations of commerce involve all those multifarious transactions of buying and selling, of lending and borrowing, of employing and being employed, from which profits and losses arise, as well as the receipt and appropriation of profits, and the disposition or appropriation of losses and expenses.

Bankers trade in money and bills. The business of **Insurance Companies** consists in the receipt, investment, and payment of money under certain specific conditions. **Railway Companies** derive their income from work done and services performed. **Private Accounts**, as a rule, merely record the receipt, appropriation, and investment of income. **Fiduciary** or **Trust Accounts** are generally of the nature of private accounts, though they are not unfrequently of a commercial character, in cases namely where Trustees carry on businesses for the benefit of others. **Public Accounts**, notwithstanding their enormous magnitude, present but little variety in the nature of the transactions recorded in them, inasmuch as, with few and unimportant exceptions, every receipt goes to form the national income, and every payment is made out of this income, and goes to form the national

expenditure. In other words, no accounts are kept to exhibit the value of the national assets, and the question of a distinction between Capital and Revenue does not arise for consideration in the formation of the national balance-sheet.

The transactions involved in all these classes of accounts thus find their parallels in **Commercial Accounts,** and it is therefore unnecessary to give separate examples of them. And as every pecuniary transaction, to whatever class of accounts it may belong, has of necessity a twofold operation, it follows that the only *complete* record of such transactions, whether they be numerous and complicated or few and simple, is a Double Entry record.

Where the conditions of being entitled and receiving and of becoming liable and discharging are simultaneous, the Cash Book may contain the record of every transaction which takes place. In such cases the system of Double Entry is none the less applicable because all the transactions are of one kind. The accounts in the Ledger are debtors to the Cash account for money paid, and creditors for money received. And 'Cash,' of which the account is kept in the Cash Book, is debtor for all money received, and creditor for all money paid. This very simple plan of account is peculiarly well adapted for recording the income and expenditure of such institutions as hospitals, schools, and the like. Where the heads of account are few in number, this method may be still further reduced. The Ledger may be dispensed with and its functions performed by means of columns introduced in the Cash Book.

APPENDIX.

Dr. *Balance Sheet of* JAMES BRUCE,

LIABILITIES.	£	s.	d.	£	s.	d.
To Sundry Creditors, viz. :—						
On Bills Payable . . .	1150	0	0			
On Open Accounts, as under :—						
F. Haynes . . 290 10						
J. Reeves . . 45 0						
F. Brook . . 430 0						
J. Douglas (Aberdn.) 500 0						
	1265	10	0			
				2415	10	0
To James Bruce's Capital				7539	6	0
				9954	16	0

On 1st January, 1867, George Williams, with a capital of £2500 in cash, is taken into partnership, on the understanding that he accepts the assets and liabilities as stated above, and that the capital and drawings of the partners

on 31st December, 1866. **Cr.**

ASSETS.	£	s.	d.	£	s.	d.
By Cash on hand, viz.:—						
At Union Bank . . .	1500	0	0			
At Office	105	11	4			
				1605	11	4
By Sundry Debtors, viz.:—						
On Bills Receivable . .	709	18	0			
On Open Accounts, as under:—						
J. King . . 500 6 8						
P. Walsh . . 300 0 0						
	800	6	8			
				1510	4	8
By Wine on hand				5839	0	0
By Business Premises, valued at				1000	0	0
				9954	16	0

are to be subject to interest at five per cent., and that the net balance of the profit and loss is to be divided thus:—

To James Bruce, three-fourths.

To George Williams, one-fourth.

The following is a complete list of their transactions for the month of January, 1867, in the order of date:—

			£	s.	d.
Jan.	1	Advanced for Petty Cash to meet payments for Postages, Stationery, &c. . . C	10	0	0
„	„	Bought of S. Nokes, 15 hhds. of Brandy at £70 . . . . . B	1050	0	0
„	„	Discounted with the Union Bank J. Green's acceptance for £200, due on 1st Feb. (Bills Receivable, No. 84), and allowed for Discount £2 C	200	0	0
„	„	Our acceptance of J. Duncan's draft, paid at Un. Bnk. this day (Bills Payable, No. 52) C	200	0	0
„	2	Bought of J. Smith, 10 butts of Sherry at £71 10s. . . . . B	715	0	0
„	„	Accepted J. Smith's draft, payable to J. West at two months' date (Bills Payable, No. 1) P	715	0	0
„	3	Sold to J. Douglas of Aberdeen, 6 butts of Sherry at £70 . . . . . S	420	0	0
		Shipped the above to J. Douglas, at his risk, on board the 'Good Hope'			
„	„	Insured the above with J. Good for £460 .	8	0	0
„	„	Our Commission on the above shipment .	9	10	0
„	„	Paid Cash for shipping charges on above shipment C	7	4	0
„	„	Paid F. Brook, by cheque on Union Bank C	420	0	0
„	„	Received Discount of F. Brook . . C	10	0	0
„	4	Received consignment of 150 doz. of Claret from T. Sandford, to be sold on his account at 2 per cent. commission on proceeds, invoiced at £2 per doz. . .	300	0	0
„	„	Paid Cash for carriage of above consignment C	2	0	0
„	„	Accepted T. Sandford's draft, payable to his order at 21 days (Bills Payable, No. 2) P	100	0	0
„	5	Paid S. Nokes for Brandy, by cheque on Union Bank C	1025	0	0
„	„	Received Discount from S. Nokes . C	25	0	0
„	„	Sold to W. Brown, 40 galls. of Brandy at 30s. . . . . S	60		
„	„	Sold to W. Brown, 7 butts of Sherry at £80 S	560	0	0
„	„	Received W. Brown's acceptance at 21 days (Bills Receivable, No. 1) . . . R	620	0	0
„	7	Cash drawn out by J. Bruce for private expenses, by cheque on Union Bank . C	200	0	0
„	„	Sold to J. Cooper, 100 doz. of Claret, part of T. Sandford's consignment, at £2 10s. per doz.	250	0	0

Jan.	7	Sold to J. Smith, 50 doz. of Claret, remainder of T. Sandford's consignment, at £2 10s. per doz.	125	0	0
„	„	Commission gained by us on above consignment	7	10	0
„	„	Sold 10 doz. Sherry for cash, at 40s. per doz. C	20	0	0
„	8	J. Harvey's acceptance to us, due this day (Bills Receivable, No. 85), returned to us dishonoured	180	0	0
„	„	Paid Cash for noting the Bill . . C	0	6	0
„	„	Paid T. Sandford, by cheque on Union Bank, balance due to him on consignment of Claret C	265	10	0
„	10	Purchased additional Business Premises from W. Brown	700	0	0
„	„	Paid W. Brown by cancelling his acceptance (Bills Receivable, No. 1)	620	0	0
„	„	Accepted W. Brown's draft, payable to F. Hill at 1 month (Bills Payable, No. 3) P	80	0	0
„	12	Paid Cash for Salaries of Clerks . . C	45	0	0
„	„	Sold to J. Cooper, 12 butts of Sherry at £80 S	960	0	0
„	14	Received Cash from J. Cooper (paid into Union Bank) C	960	0	0
„	„	Paid Cash for Insurance . . . C	20	4	6
„	„	Paid F. Haynes, by cheque on Union Bank C	285	0	0
„	„	Received Discount from F. Haynes . C	5	10	0
„	„	Sold to T. Sandford, 100 doz. of Sherry at £2 10s. . . . . S	250	0	0
„	„	Received T. Sandford's acceptance at 2 months (Bills Receivable, No. 2) . R	150	0	0
„	„	Received from T. Sandford our acceptance to him (Bills Payable, No. 2), cancelled .	100	0	0
„	16	Received from J. King (paid into Union Bank) C	490	0	0
„	„	Allowed Discount to J. King . . C	10	6	8
„	„	Received from J. Cooper (paid into Union Bank) C	250	0	0
„	17	Paid J. Reeves, by cheque on Union Bank, amount due C	45	0	0
„	„	Received P. Walsh's acceptance at 1 month, for amount due by him (Bills Receivable, No. 3) . . . . . R	300	0	0
„	18	Bought of J. Smith, 20 butts of Sherry at £70 B	1400	0	0
„	„	Paid J. Smith, by cheque on Union Bank C	1000	0	0
„	„	Accepted J. Smith's draft at 2 months (Bills Payable, No. 4) . . . . P	400	0	0
„	19	Consigned 20 butts of Sherry to R. Green, to be sold by him on our account and risk .	1400	0	0

			£	s.	d.
Jan. 19	J. Thomson's acceptance (Bills Receivable, No. 86), due this day, paid at Union Bank	C	329	18	0
„ 21	Our acceptance of G. French's draft, due this day, paid at Union Bank (Bills Payable, No. 53)	C	950	0	0
„ „	Sold 5 galls. of Brandy for Cash, at 30s. per gall.	C	7	10	0
„ 22	Sold to J. Reeves, 5 doz. of Sherry at £3	S	15	0	0
„ „	Sold to J. Reeves, 6 galls. of Brandy at 30s.	S	9	0	0
„ 23	Received Cash, 10s. in the £ on J. Harvey's debt to us, he having compounded with his creditors	C	90	0	0
„ „	Wrote off balance on J. Harvey's account as a bad debt		90	6	0
„ 24	Received Cash from J. Reeves	C	23	0	0
„ „	Allowed for Discount	C	1	0	0
„ 25	Received account sales from R. Green, shewing that the Sherry consigned to him had realized net		1350	0	0
„ 25	Bought of S. Nokes, 10 butts of Sherry at £50	B	500	0	0
„ „	Paid S. Nokes, by cheque on Union Bank	C	490	0	0
„ „	Received Discount from S. Nokes	C	10	0	0
„ 28	Paid Cash for Repairs of Premises	C	14	6	8
„ „	Bought of J. West, 12 doz. of Brandy in bottles at 50s.	B	30	0	0
„ 29	Procured by J. Good the settlement of a total loss of goods, per 'Good Hope,' the sum assured being £460, less brokerage £2		458	0	0
„ „	Sold to J. King, 100 galls. of Brandy at 30s.	S	150	0	0
„ „	Sold to J. King, 100 doz. of Sherry at 30s.	S	150	0	0
„ „	Sold to P. Walsh, 3 hhds. of Brandy at £75	S	225	0	0
„ „	Sold to P. Walsh, 50 doz. of Sherry at £2	S	100	0	0
„ 31	Paid into Union Bank, by J Good	C	450	0	0
„ „	Paid Cash for Salaries of Clerks	C	30	0	0
„ „	Interest due by R. Green to this date		1	2	6
„ „	Interest on amount drawn out by J. Bruce		0	14	2
„ „	Interest on J. Bruce's capital		35	5	9
„ „	Interest on G. Williams's capital		12	10	0
„ „	Trade charges paid out of Petty Cash * to this date		9	4	0
„ „	Estimated monthly wear and tear of Premises		10	0	0
„ „	Stock of Sherry on hand		5074	0	0
„ „	Stock of Brandy on hand		696	4	6

* It has not been thought necessary to give the Petty Cash Book, shewing the particulars of this sum, as it is merely a record in order of date of the amounts spent for trifling trade expenses.

The transactions in the foregoing list, marked

C	for	Cash Book,
R	„	Bills Receivable,
P	„	Bills Payable,
B	„	Bought,
S	„	Sold,

are recorded directly in these books as they occur, and posted directly from these books to the Ledger, to the debit or the credit of their proper accounts. The remaining transactions, not being sufficiently numerous to be classified in special books for the purpose, are made the subjects of separate Journal entries.

If the Cash Book and Journal are kept by two separate persons, it is necessary that the one who keeps the Cash Book, as well as the one who keeps the Journal, should know which accounts, besides personal accounts, are required to be opened in the Ledger, as the account to which each item belongs has to be designated in the entry of it in the Cash Book.

The Appendix supposes that Messrs. Bruce & Williams require their stock to be kept under the two heads of 'Wine' and 'Brandy;' and their Profit and Loss account includes the following subdivisions, viz. 'Trade Charges,' 'Salaries,' 'Insurance,' 'Interest and Discount,' 'Commission,' 'Bad Debts.'

It will be observed that in accordance with a convenient plan (see pp. 42, 43), Messrs. Bruce & Williams's Cash Book is furnished with separate columns for 'Banker's' and 'At Office.' It is also furnished with columns for 'Discount,' so as to obviate the necessity of making a separate entry in the Discount account

in the Ledger for every item of discount received and allowed.

The cash transactions which we have given are not sufficiently numerous to fill either side of the Cash Book. It is well to mention, however, that it is usual when one side of an account either in the Cash Book or Ledger is full, to add up both, and to carry the totals forward to the next folio. It is usual also in such cases to draw a line diagonally across the side which is not full, to show that the blank is intentional.

We have given no instance in these transactions of a transfer between the moneys in the bank and the cash at office. Such transfers should appear on the face of the Cash Book only. The general account of 'Cash' in the Ledger is not affected by them.

CASH BOOK.

BILLS RECEIVABLE BOOK.

BILLS PAYABLE BOOK.

BOUGHT BOOK.

SOLD BOOK.

JOURNAL.

LEDGER.

Dr. CASH BOOK. (1)

Lgr. Fol.	Date.	Receipts.	Discount. £	Discount. s.	Discount. d.	At Office. £	At Office. s.	At Office. d.	At Bankers. £	At Bankers. s.	At Bankers. d.
	1867										
	Jan. 1	To Balance in hand....				105	11	4	1500	0	0 *
1	„ „	To G. Williams, for capital introduced this day							2500	0	0
2	„ „	To Bills Receivable, for No. 84, discounted this day	2	0	0				198	0	0
1	„ 7	To Wine (10 doz. at 40s.).....				20	0	0			
5	„ 14	To J. Cooper							960	0	0
5	„ 16	To J. King	10	6	8				490	0	0
5	„ „	To J. Cooper							250	0	0
2	„ 19	To Bills Receivable, for No. 86, due this day..							329	18	0
1	„ 21	To Brandy (5 galls. at 30s.).....				7	10	0			
5	„ 23	To J. Harvey (composition of 10s. in the £)				90	0	0			
6	„ 24	To J. Reeves	1	0	0	23	0	0			
4	„ 31	To J. Good							450	0	0
			13	6	8	246	1	4	6677	18	0
	Feb. 1	To Balance in hand....				117	0	2	1797	8	0

* Charges of this sort are frequently posted to 'Trade Charges' in the first instance, and subsequently transferred to the debit of the accounts to which they relate, by a Journal

(1) CASH BOOK. Cr.

Lgr. Fol.	Date.	Payments.	Discount. £	s.	d.	At Office. £	s.	d.	At Bankers. £	s.	d.
	1867										
3	Jan. 1	By Petty Cash (advance)				10	0	0			
2	,, ,,	By Bills Payable, No. 52, due this day							200	0	0
* 3	,, 3	By J. Douglas, Shipping charges				7	4	0			
4	,, ,,	By F. Brook	10	0	0				420	0	0
* 4	,, 4	By T. Sandford (Carriage of consignment)				2	0	0			
3	,, 5	By S. Nokes	25	0	0				1025	0	0
8	,, 7	By J. Bruce (current account), withdrawn for expenses							200	0	0
5	,, 8	By J. Harvey, noting acceptance (Bills Receivable, No. 85), returned dishonoured				0	6	0			
4	,, ,,	By T. Sandford							265	10	0
7	,, 12	By Salaries of Clerks				45	0	0			
7	,, 14	By Insurance				20	4	6			
5	,, ,,	By F. Haynes	5	10	0				285	0	0
6	,, 17	By J. Reeves							45	0	0
3	,, 18	By J. Smith							1000	0	0
2	,, 21	By Bills Payable, No. 53, due this day							950	0	0
3	,, 26	By S. Nokes	10	0	0				490	0	0
8	,, 28	By Trade Charges, for Repairs of Premises				14	6	8			
7	,, 31	By Salaries of Clerks				30	0	0			
		Balance in hand				117	0	2	1797	8	0
			50	10	0	246	1	4	6677	18	0

entry. These transfers sometimes represent the exact cost incurred, but more frequently a larger amount is charged to the customer than is actually paid.

BILLS (1)

Lgr. Fol.	Number	When Received	Of whom Received.	By whom Drawn.	On whom Drawn.	To whom Payable.
		1867.				
4	1	Jan. 5	W. Brown	Ourselves	Himself	Ourselves
4	2	„ 14	T. Sandford	Himself	Jones & Co.	Ourselves
6	3	„ 17	P. Walsh	Ourselves	Himself	Ourselves

BILLS (1)

Lgr. Fol.	Number.	When Accepted.	By whom Drawn.	Place.	To whom Payable.
		1867.			
3	1	Jan. 2	J. Smith	London	J. West
4	2	„ 4	T. Sandford	Edinburgh	Himself
4	3	„ 10	W. Brown	London	F. Steel
3	4	„ 18	J. Smith	London	Himself

(1) RECEIVABLE.

Where Payable.	Date.	Term.	Due.	Amount. £	s.	d.	How Disposed of.
	1867.						
London	Jan. 5	21 days	Jan. 29	620	0	0	Paid to W. Brown, 10th Jan.
Edinburgh	„ 14	2 months	Mar. 17	150	0	0	
London	„ 17	1 month	Feb. 20	300	0	0	
				1070	0	0	

(1) PAYABLE.

On whose Account.	Date.	Term.	Due.	Amount. £	s.	d.	To whom Paid.
	1867.						
Drawer	Jan. 2	2 months	Mar. 5	715	0	0	
Do.	„ 3	21 days	Feb. 27	100	0	0	Returned by T. Sandford
Do.	„ 10	1 month	„ 13	80	0	0	
Do.	„ 18	2 months	Mar. 21	400	0	0	
				1295	0	0	

BOUGHT BOOK. (1)

Lgr. Fol.	Date.	From whom Bought.	* No. of Invoice Inwards.	Quantities, &c.	Brandy. £	s.	d.	Wine. £	s.	d.
	1867									
3	Jan. 1	S. Nokes	1	15 hhds. Bdy. at £70	1050	0	0			
3	„ 2	J. Smith	2	10 butts of Sherry at £71 10s.				715	0	0
3	„ 18	Ditto	3	20 do. at £70				1400	0	0
3	„ 26	S. Nokes	4	10 do. at £50				500	0	0
6	„ 28	J. West	5	12 doz. Brdy. at 50s.	30	0	0			
					1080	0	0	2615	0	0

SOLD BOOK. (1)

Lgr. Fol	Date.	To whom Sold.	† No. of Invoice Outwards.	Quantities, &c.	Brandy. £	s.	d.	Wine. £	s.	d.
	1867									
3	Jan. 3	J. Douglas	1	6 butts Shry. at £70				420	0	0
4	„ 5	W. Brown	2	40 galls. Bdy. at 30s.	60	0	0			
4	„ „	Ditto	„	7 butts Shry. at £80				560	0	0
5	„ 12	J. Cooper	3	12 do. at £80				960	0	0
4	„ 14	T. Sandford	4	100 doz. Shry. at 50s.				250	0	0
6	„ 22	J. Reeves	5	5 doz. Sherry at £3				15	0	0
6	„ „	Ditto	„	6 galls. Brdy. at 30s.	9	0	0			
5	„ 29	J. King	6	100 do. at 30s.	150	0	0			
5	„ „	Ditto	„	100 doz. Shry. at 30s.				150	0	0
6	„ „	P. Walsh	7	3 hhds. Brdy. at £75	225	0	0			
6	„ „	Ditto	„	50 doz. Sherry at £2				100	0	0
					444	0	0	2455	0	0

* These Invoices should be carefully preserved and numbered, as above, for purposes of reference.

† The Invoices should be copied, and the copies carefully preserved and numbered, as above, for purposes of reference.

The only transactions comprised in the list on pp. 36–38 which have not fallen into one or other of the foregoing books of account, and for which therefore separate Journal entries are required, see p. 39, are the following :—

1867			£	s.	d.
Jan.	3	Insured Shipment of Sherry to J. Douglas with J. Good for £460.....	8	0	0
„	„	Our Commission on the above Shipment	9	10	0
*„	4	Received consignment of 150 doz. of Claret from T. Sandford, to be sold on his account at 2 per cent. commission on proceeds, invoiced at £2 per doz.	300	0	0
„	7	Sold to J. Cooper, 100 doz. of Claret, part of T. Sandford's consignment, at £2 10s. per doz.	250	0	0
„	„	Sold to J. Smith, 50 doz. of Claret, remainder of T. Sandford's consignment, at £2 10s. per doz.	125	0	0
„	„	Commission gained by us on the above consignment	7	10	0
„	8	J. Harvey's acceptance to us, due this day (Bills Receivable, No. 85), returned to us dishonoured	180	0	0
„	10	Purchased additional Business Premises from W. Brown.....	700	0	0
„	„	Paid W. Brown, by cancelling his acceptance (Bills Receivable, No. 1)	620	0	0
„	14	Received from T. Sandford, our acceptance to him (Bills Payable, No. 2), cancelled.....	100	0	0
„	19	Consigned 20 butts of Sherry to R. Green, to be sold by him on our account and risk ..	1400	0	0
„	23	Wrote off balance of J. Harvey's account as a bad debt	90	6	0
„	25	Received account sales from R. Green, shewing that the Sherry consigned to him realized net	1350	0	0
„	29	Procured by J. Good the settlement of a total loss of goods, per 'Good Hope,' the sum assured being £460, less brokerage £2.. ..	458	0	0
„	31	Interest due by R. Green to this date	1	2	6
„	„	Interest on amount drawn out by J. Bruce ..	0	14	2

* It will be perceived that for this transaction there is no Journal entry. Messrs. Bruce and Williams cannot credit T. Sandford with the invoiced price, as they are liable only for the proceeds, a quantity not yet ascertained. They therefore merely record fully the fact of the consignment, but do not make it a matter of account in the Ledger. When they sell part of it, it will be seen that they credit Sandford with the amounts realized; and when they incur charges on account of it, they debit him with the amount of such charges. It is the practice, however, of many merchants, for convenience in making out Account Sales and Accounts current, to keep an account of the consignment, and to transfer only the net proceeds to the credit of the consignee.

1867		£	s.	d.
Jan. 31	Interest on J. Bruce's Capital	35	5	9
,, ,,	Interest on G. Williams's Capital	12	10	0
,, ,,	Trade charges paid out of Petty Cash to this date	9	4	0
,, ,,	Estimated monthly Wear and Tear of Premises	10	0	0
,, ,,	Stock of Sherry on hand	5074	0	0
,, ,,	Stock of Brandy on hand	696	4	6

The Journal commences with the entry of the assets and liabilities of J. Bruce on 1st January. It contains separate entries for each of the above transactions, and collects the totals for the month of Cash, Bills, Purchases on credit and Sales on credit, from the foregoing books, for entry in the Ledger.

(1) JOURNAL.

Lgr. Fol.	Date.	January, 1867.	Drs. £	s.	d.	Crs. £	s.	d.
1	Jan. 1	Sundries, Dr. to James Bruce (Capital Account)				9954	16	0
		For assets on this date, viz.:—						
2		Cash	1605	11	4			
2		Bills Receivable	709	18	0			
5		J. King, due by him	500	6	8			
6		P. Walsh, „	300	0	0			
1		Wine	5839	0	0			
2		Business Premises	1000	0	0			
1	„ „	James Bruce (Capital Account), Dr. to Sundries	2415	10	0			
		For liabilities on this date, viz.:—						
2		To Bills Payable				1150	0	0
5		To F. Haynes, due to him ..				290	10	0
6		To J. Reeves, „ ..				45	0	0
4		To F. Brook, „ ..				430	0	0
3		To J. Douglas (Aberdeen), due to him.....				500	0	0
3	„ 3	J. Douglas, Dr. to Sundries....	17	10	0			
4		To J. Good, for Insurance on Shipment, per 'Good Hope'				8	0	0
7		To Commission for Commission on ditto.....				9	10	0
		Carried forward ..	12387	16	0	12387	16	0

Lgr. Fol.	Date.	January, 1867 (continued).	Drs. £	s.	d.	Crs. £	s.	d.
		Brought forward ..	12387	16	0	12387	16	0
4	Jan. 7	Sundries, Dr. to T. Sandford ..				375	0	0
5		J. Cooper, for 100 doz. of Claret at £2 10s., consigned by him	250	0	0			
3		J. Smith, for 50 doz. ditto	125	0	0			
4	„ „	T. Sandford ..... Dr.	7	10	0			
7		To Commission ..... For special Commission on proceeds of consignment of Claret.				7	10	0
5	„ 8	J. Harvey ..... Dr.	180	0	0			
2		To Bills Receivable For his acceptance (Bills Receivable, No. 85) returned dishonoured.				180	0	0
2	„ 10	Business Premises ..... Dr.	700	0	0			
4		To W. Brown For additional Premises purchased.				700	0	0
4	„ „	W. Brown ..... Dr.	620	0	0			
2		To Bills Receivable For his acceptance (Bills Receivable, No. 1) cancelled and returned to him in part payment for Premises purchased.				620	0	0
2	„ 14	Bills Payable ..... Dr.	100	0	0			
4		To T. Sandford For our acceptance to him (Bills Payable, No. 2) cancelled and returned by him to us.				100	0	0
		Carried forward ..	14370	6	0	14370	6	0

Lgr. Fol.	Date.	January, 1867 (continued).	Drs. £	s.	d.	Crs. £	s.	d.
		Brought forward ..	14370	6	0	14370	6	0
8	Jan. 19	Consignment of Sherry to R. Green ..... Dr.	1400	0	0			
1		To Wine				1400	0	0
		For 20 butts of Sherry at £70.						
8	„ 23	Bad Debts ..... Dr.	90	6	0			
5		To J. Harvey				90	6	0
		To balance due by him, written off as a loss.						
6	„ 25	R. Green ..... Dr.	1350	0	0			
8		To Consignment to R. Green				1350	0	0
		For amount realized by Consignment, as per Account Sales.						
4	„ 29	J. Good ..... Dr.	458	0	0			
3		To J. Douglas				458	0	0
		For Assurance on Shipment in 'Good Hope,' totally lost.						
		£460						
		Less Brokerage .. 2						
		£458						
2	„ 31	Cash ..... Dr.	5318	8	0			
		To Sundries				5318	8	0
		For Cash received this month, as per Cash Book, fol. (1); the individual items having been posted directly to the credit of the accounts in the Ledger to which they refer.						
		Carried forward ..	22987	0	0	22987	0	0

27539

Lgr. Fol.	Date.	January, 1867 (continued).	Drs. £	s.	d.	Crs. £	s.	d.
		Brought forward ..	22987	0	0	22987	0	0
2	Jan 31	Sundries ..... Dr.	5009	11	2			
		To Cash				5009	11	2
		For Cash paid this month, as per Cash Book, fol. (1); the individual items having been posted directly to the debit of the accounts in the Ledger to which they refer.						
7	" "	Interest and Discount ..... Dr.	13	6	8			
		To Sundries				13	6	8
		For Discount allowed this month, as per Cash Book, fol. (1); the individual items having been posted directly to the credit of the accounts in the Ledger to which they refer.						
7	" "	Sundries ..... Dr.	50	10	0			
		To Interest and Discount				50	10	0
		For Discount received this month, as per Cash Book, fol. (1); the individual items having been posted directly to the debit of the accounts in the Ledger to which they refer.						
2	" "	Bills Receivable ..... Dr.	1070	0	0			
		To Sundries				1070	0	0
		For Bills received this month, as per Bills Receivable Book, fol. (1); the individual amounts having been posted directly to the credit of the accounts in the Ledger to which they refer.						
		Carried forward ..	29130	7	10	29130	7	10

Lgr. Fol.	Date.	January, 1867 (continued).	Drs. £	s.	d.	Crs. £	s.	d.
		Brought forward ..	29130	7	10	29130	7	10
2	Jan. 31	Sundries ..... Dr. To Bills Payable For Bills accepted this month, as per Bills Payable Book, fol. (1); the individual amounts having been posted directly to the debit of the accounts in the Ledger to which they refer.	1295	0	0	1295	0	0
1	„ „	Brandy ..... Dr. To Sundries For Credit Purchases this month, as per Bought Book, fol. (1); the individual purchases having been posted directly to the credit of the accounts in the Ledger to which they refer.	1080	0	0	1080	0	0
1	„ „	Sundries ..... Dr. To Brandy For Credit Sales this month, as per Sale Book, fol. (1); the individual sales having been posted directly to the debit of the accounts in the Ledger to which they refer.	444	0	0	444	0	0
1	„ „	Wine ..... Dr. To Sundries For Credit Purchases this month, as per Bought Book, fol. (1); the individual purchases having been posted directly to the credit of the accounts in the Ledger to which they refer.	2615	0	0	2615	0	0
		Carried forward ..	34564	7	10	34564	7	10

Lgr. Fol.	Date.	January, 1867 (continued).	Drs. £	Drs. s.	Drs. d.	Crs. £	Crs. s.	Crs. d.
		Brought forward ..	34564	7	10	34564	7	10
1	Jan. 31	Sundries ..... Dr. To Wine For Credit Sales this month, as per Sold Book, fol. (1); the individual sales having been posted directly to the debit of the accounts in the Ledger to which they refer.	2455	0	0	2455	0	0
7 6 8	„ „	Sundries ..... Dr. To Interest, viz.:— R. Green, due on proceeds of Consignment ..... J. Bruce (Current Acct.), on account of Cap^{l}. withdrawn	1	2	6 4	2	1	16 8
7 8 9	„ „	Interest, Dr. to Sundries ..... Viz.:— To J. Bruce (Current Acct.), on Capital invested ..... To G. Williams (ditto)	47	15	9	25 12	5 10	9 0
8 3	„ „	Trade Charges ..... Dr. To Petty Cash For amount paid, as per Petty Cash Book.	9	4	0	9	4	0
9 2	„ „	Profit and Loss ..... Dr. To Business Premises For month's Wear and Tear.	10	0	0	10	0	0
		*	37088	4	3	37088	4	3

* All items having been posted in the Ledger up to this point, a Trial Balance (see p. 77) is made out, which must agree with the then totals of the Drs. and Crs.

Lgr. Fol.	Date.	January, 1867 (continued).	Drs. £	s.	d.	Crs. £	s.	d.
		Brought forward ..	37088	4	3	37088	4	3
9	Jan 31	Sundries, Dr. to Profit and Loss				579	14	6
1		Wine, for profit thereon	495	0	0			
1		Brandy, ditto	67	14	6			
7		Commission for balance	17	0	0			
9	„ „	Profit and Loss, Dr. to Sundries	267	16	11			
7		To Interest and Discount, for balance				8	15	9
7		To Salaries, ditto.....				75	0	0
7		To Insurance, ditto				20	4	6
8		To Trade Charges, ditto				23	10	8
8		To Bad Debts, ditto				90	6	0
8		To Consignment (R. Green), for loss thereon.....				50	0	0
9	„ „	Profit and Loss, Dr. to Sundries	301	17	7			
8		To J. Bruce (Current Acct.), for share of profit				226	8	2
9		To G. Williams (ditto), ditto				75	9	5
8	„ „	J. Bruce (Current Account).. Dr.	60	19	9			
1		To J. Bruce (Capital Acct.) For balance transferred.				60	19	9
9	„ „	G. Williams (Current Acct.).. Dr.	87	19	5			
1		To G. Williams (Capital Acct.) For balance transferred.				87	19	5
			38386	12	5	38386	12	5

LEDGER.

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We have omitted all notice of *quantities* in the Ledger, but in practice it is often found of importance to enter them as a check upon the amount of goods in hand. This is more particularly the case in businesses where goods are bought and sold in bulk.

Dr. **J. BRUCE.**

Bk.	Fol.	Date. 1867		£	s.	d.
J	1	Jan. 1	To Sundries	2415	10	0
		„ 31	To Balance, carried down	7600	5	9
				10015	15	9

Dr. **G. WILLIAMS.**

		Jan. 31	To Balance, carried down	2587	19	5
				2587	19	5

Dr. **WINE.**

J	1	Jan. 1	To J. Bruce (Capital Account)	5839	0	0
„	5	„ 31	To Sundries	2615	0	0
„	7	„ „	To Profit and Loss, for Balance	495	0	0
				8949	0	0
		Feb. 1	To Stock, brought down	5074	0	0

Dr. **BRANDY.**

J	5	Jan. 31	To Sundries	1080	0	0
„	7	„ „	To Profit and Loss for Balance	67	14	6
				1147	14	6
		Feb. 1	To Stock, brought down	696	4	6

CAPITAL ACCOUNT. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	1	Jan. 1	By Sundries	9954	16	0
„	7	„ 31	By J. Bruce (Current Account)	60	19	9
				10015	15	9
		Feb. 1	By Balance, brought down	7600	5	9

CAPITAL ACCOUNT. Cr.

C	1	Jan. 1	By Cash	2500	0	0
„	7	„ 31	By G. Williams (Current Account)	87	19	5
				2587	19	5
		Feb. 1	By Balance, brought down	2587	19	5

Cr.

C	1	Jan. 7	By Cash	20	0	0
J	3	„ 19	By Consignment to R. Green	1400	0	0
J	6	„ 31	By Sundries	2455	0	0
		„ „	By Stock, carried down	5074	0	0
				8949	0	0

Cr.

C	1	Jan. 21	By Cash	7	10	0
J	5	„ 31	By Sundries	444	0	0
		„ „	By Stock, carried down	696	4	6
				1147	14	6

Dr. **BILLS**

Bk.	Fol.	Date. 1867		£	s.	d.
J	1	Jan. 1	To James Bruce (Capital Account)	709	18	0
„	4	„ 31	To Sundries	1070	0	0
				1779	18	0
		Feb. 1	To Balance, brought down.....	450	0	0

Dr. **BILLS**

C	1	Jan. 1	To Cash	200	0	0
J	2	„ 14	To T. Sandford	100	0	0
„	1	„ 21	To ditto	950	0	0
		„ 31	To Balance, carried down	1195	0	0
				2445	0	0

Dr. **BUSINESS**

J	1	Jan. 1	To James Bruce (Capital Account)	1000	0	0
„	2	„ 10	To W. Brown	700	0	0
				1700	0	0
		Feb. 1	To Balance, brought down.....	1690	0	0

Dr. **CASH.**

J	1	Jan. 1	To James Bruce (Capital Account)	160	11	4
„	3	„ 31	To Sundries	531	8	0
				692	19	4
		Feb. 1	To Balance, brought down	1914	8	2

RECEIVABLE. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
C	1	Jan. 1	By Cash	198	0	0
„	1	„ „	By Discount	2	0	0
J	2	„ 8	By J. Harvey	180	0	0
„	2	„ 10	By W. Brown	620	0	0
„	1	„ 19	By Cash	329	18	0
		„ 31	By Balance, carried down	450	0	0
				1779	18	0

PAYABLE. Cr.

J	1	Jan. 1	By James Bruce (Capital Account)	1150	0	0
„	5	„ 31	By Sundries	1295	0	0
				2445	0	0
		Feb. 1	By Balance, brought down	1195	0	0

PREMISES. Cr.

J	6	Jan. 31	By Profit and Loss	10	0	0
		„ „	By Balance, carried down	1690	0	0
				1700	0	0

Cr.

J	4	Jan. 31	By Sundries	5009	11	2
		„ „	By Balance, carried down	1914	8	2
				6923	19	4

Dr. PETTY

Bk.	Fol.	Date. 1867		£	s.	d.
C	1	Jan. 1	To Cash	10	0	0
				10	0	0
		Feb. 1	To Balance, brought down	0	16	0

Dr. S.

C	1	Jan. 5	To Cash	102½	0	0
„	1	„ „	To Discount	2½	0	0
„	1	„ 26	To Cash	490	0	0
„	1	„ „	To Discount	10	0	0
				1550	0	0

Dr. J.

P	1	Jan. 2	To Bills Payable	715	0	0
J	2	„ 7	To T. Sandford	125	0	0
C	1	„ 18	To Cash	1000	0	0
„	1	„ 18	To do.	400	0	0
				2240	0	0
		Feb. 1	To Balance, brought down	125	0	0

Dr. J.

J	1	Jan. 3	To Sundries	17	10	0
S	1	„ „	To Wine	420	0	0
C	1	„ „	To Cash	7	4	0
		„ 31	To Balance, carried down	513	6	0
				958	0	0

CASH. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	6	Jan. 31	By Trade Charges	9	4	0
		„ „	By Balance, carried down	0	16	0
				10	0	0

NOKES. Cr.

B	1	Jan. 1	By Brandy	1050	0	0
„	1	„ 26	By Wine.....	500	0	0
				1550	0	0

SMITH. Cr.

B	1	Jan. 2	By Wine.....	715	0	0
„	1	„ 18	By ditto	1400	0	0
		„ 31	By Balance, carried down	125	0	0
				2240	0	0

DOUGLAS. Cr.

J	1	Jan. 1	By James Bruce (Capital Account)	500	0	0
„	3	„ 29	By J. Good.....	458	0	0
				958	0	0
		Feb. 1	By Balance, brought down.....	513	6	0

Dr. **J.**

Bk.	Fol.	Date. 1867		£	s.	d.
J	3	Jan. 29	To J. Douglas	458	0	0
				458	0	0

Dr. **F.**

C	1	Jan. 3	To Cash	420	0	0
„	1	„ „	To Discount	10	0	0
				430	0	0

Dr. **T.**

C	1	Jan. 4	To Cash	2	0	0
P	1	„ 4	To Bills Payable	100	0	0
J	2	„ 7	To Commission	7	10	0
C	1	„ 8	To Cash	265	10	0
S	1	„ 14	To Wine	250	0	0
				625	0	0

Dr. **W.**

S	1	Jan. 5	To Brandy	60	0	0
„	1	„ „	To Wine	560	0	0
J	2	„ 10	To Bills Receivable	620	0	0
P	1	„ 10	To Bills Payable	80	0	0
				1320	0	0

GOOD. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	1	Jan. 3	By J. Douglas	8	0	0
C	1	„ 31	By Cash	450	0	0
				458	0	0

BROOK. Cr.

J	1	Jan. 1	By James Bruce (Capital Account)	430	0	0
				430	0	0

SANDFORD. Cr.

J	2	Jan. 7	By Sundries	375	0	0
„	2	„ 14	By Bills Payable	100	0	0
R	1	„ „	By Bills Receivable	150	0	0
				625	0	0

BROWN. Cr.

R	1	Jan. 5	By Bills Receivable	620	0	0
J	2	„ 10	By Business Premises	700	0	0
				1320	0	0

Dr. J.

Bk.	Fol.	Date. 1867		£	s.	d.
J	2	Jan. 7	To T. Sandford	250	0	0
S	1	„ 12	To Wine	960	0	0
				1210	0	0

Dr. J.

J	2	Jan. 8	To Bills Receivable	180	0	0
C	1	„ „	To Cash	0	6	0
				180	6	0

Dr. F.

C	1	Jan. 14	To Cash	285	0	0
„	1	„ „	To Discount	5	10	0
				290	10	0

Dr. J.

J	1	Jan. 1	To James Bruce (Capital Account)	500	6	8
S	1	„ 29	To Brandy	150	0	0
„	1	„ „	To Wine	150	0	0
				800	6	8
		Feb. 1	To Balance, brought down	300	0	0

COOPER. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
C	1	Jan. 14	By Cash	960	0	0
„	1	„ 16	By ditto	250	0	0
				1210	0	0

HARVEY. Cr.

J	3	Jan. 23	By Bad Debts	90	6	0
C	1	„ „	By Cash	90	0	0
				180	6	0

HAYNES. Cr.

J	1	Jan. 1	By James Bruce (Capital Account)	290	10	0
				290	10	0

KING. Cr.

C	1	Jan. 16	By Cash	490	0	0
„	1	„ „	By Discount	10	6	8
		„ 31	By Balance, carried down	300	0	0
				800	6	8

Dr. J.

Bk.	Fol.	Date. 1867		£	s.	d.
C	1	Jan. 17	To Cash	45	0	0
S	1	„ 22	To Wine	15	0	0
„	1	„ „	To Brandy	9	0	0
				69	0	0

Dr. P.

J	1	Jan. 1	To James Bruce (Capital Account)	300	0	0
S	1	„ 29	To Brandy	225	0	0
„	1	„ „	To Wine	100	0	0
				625	0	0
		Feb. 1	To Balance, brought down	325	0	0

Dr. R.

J	3	Jan. 25	To Consignment to R. Green	1350	0	0
„	6	„ 31	To Interest	1	2	6
				1351	2	6
		Feb. 1	To Balance, brought down	1351	2	6

Dr. J.

		Jan. 31	To Balance, carried down	30	0	0

REEVES. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	1	Jan. 1	By James Bruce (Capital Account).....	45	0	0
C	1	„ 24	By Cash	23	0	0
„	1	„ „	By Discount	1	0	0
				69	0	0

WALSH. Cr.

R	1	Jan. 17	By Bills Receivable.....	300	0	0
		„ 31	By Balance, carried down	325	0	0
				625	0	0

GREEN. Cr.

		Jan. 31	By Balance, carried down	1351	2	6
				1351	2	6

WEST. Cr.

B	1	Jan. 28	By Brandy	30	0	0
		Feb. 1	By Balance, brought down.....	30	0	0

Dr. INTEREST AND

Bk.	Fol.	Date. 1867		£	s.	d.
J	4	Jan. 31	To Sundries	13	6	8
„	6	„ „	To ditto	47	15	9
				61	2	5

Dr. COMMISSION.

J	7	Jan. 31	To Profit and Loss, balance transferred ..	17	0	0
				17	0	0

Dr. SALARIES.

C	1	Jan. 12	To Cash	45	0	0
„	1	„ 31	To ditto	30	0	0
				75	0	0

Dr. INSURANCE.

C	1	Jan. 14	To Cash	20	4	6

DISCOUNT. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	4	Jan. 31	By Sundries	50	10	0
„	6	„ „	By ditto	1	16	8
„	7	„ „	By Profit and Loss, balance transferred ..	8	15	9
				61	2	5

Cr.

J	1	Jan. 3	By J. Douglas.....	9	10	0
„	2	„ 7	By T. Sandford	7	10	0
				17	0	0

Cr.

J	7	Jan. 31	By Profit and Loss, balance transferred ..	75	0	0
				75	0	0

Cr.

J	7	Jan. 31	By Profit and Loss, balance transferred ..	20	4	6

Dr. TRADE

Bk.	Fol.	Date. 1867		£	s.	d.
C	1	Jan. 28	To Cash	14	6	8
J	6	„ 31	To Petty Cash	9	4	0
				23	10	8

Dr. BAD

J	3	Jan. 23	To J. Harvey	90	6	0

Dr. CONSIGNMENT TO

J	3	Jan. 19	To Wine.....	1400	0	0
				1400	0	0

Dr. J. BRUCE,

C	1	Jan. 7	To Cash	200	0	0
J	6	„ 31	To Interest.....	0	14	2
„	7	„ „	To J. Bruce (Capital Account)	60	19	9
				261	13	11

CHARGES. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	7	Jan. 31	By Profit and Loss, balance transferred ..	23	10	8
				23	10	8

DEBTS. Cr.

J	7	Jan. 31	By Profit and Loss, balance transferred ..	90	6	0

R. GREEN. Cr.

J	3	Jan. 25	By R. Green	1350	0	0
J	7	„ 31	By Profit and Loss, for Loss on this consignment.....	50	0	0
				1400	0	0

CURRENT ACCOUNT. Cr.

J	6	Jan. 31	By Interest	35	5	9
„	7	„ „	By Profit and Loss	226	8	2
				261	13	11

Dr. G. WILLIAMS,

Bk.	Fol.	Date. 1867		£	s.	d.
J	7	Jan. 31	To G. Williams (Capital Account).....	87	19	5
				87	19	5

Dr. * PROFIT

J	6	Jan. 31	To Business Premises.....	10	0	0
,,	7	,, ,,	To Interest and Discount	8	15	9
,,	,,	,, ,,	To Salaries.....	75	0	0
,,	,,	,, ,,	To Insurance	20	4	6
,,	,,	,, ,,	To Trade Charges.....	23	10	8
,,	,,	,, ,,	To Bad Debts.....	90	6	0
,,	,,	,, ,,	To Consignment to R. Green	50	0	0
			To Balance, divisible thus, viz.:—			
	,,		J. Bruce, three quarters ..£226 8 2			
	,,		G. Williams, one quarter .. 75 9 5			
				301	17	7
				579	14	6

* In posting above the Journal entries, 'Sundries Dr. to Profit and Loss' and 'Profit and Loss Dr. to Sundries' (J. p. 5), we have stated the amount of each account separately, in-

CURRENT ACCOUNT. Cr.

Bk.	Fol.	Date. 1867		£	s.	d.
J	6	Jan. 31	By Interest	12	10	0
„	7	„ „	By Profit and Loss	75	9	5
				87	19	5

AND LOSS. Cr.

J	7	Jan. 31	By Wine	495	0	0
„	„	„ „	By Brandy	67	14	6
„	„	„ „	By Commission	17	0	0
				579	14	6

stead of under 'Sundries,' in order that the composition of this account may appear on the face of the Ledger.

It will be observed that two separate accounts are opened in the Ledger for each partner. The 'Current Account' shews in detail all sums withdrawn, and all entries in respect of interest on capital and drawings, or profit or loss accruing, during the period to the close of which the books are balanced. By this means the 'Capital Account' is kept clear of details, and exhibits in a compendious form the progress and state of the Capital during the same period.

These 'Current' and 'Capital' accounts, and also the 'Profit and Loss' accounts, are frequently kept in a separate book accessible only to the proprietor of the concern, so that he alone has cognizance of the results of his operations, and the condition of his affairs. When this is done it is convenient to open in the General Ledger an account under the title of 'Private Ledger,' and to post into it without distinction all transactions coming under any head of account kept in the Private Ledger. By means of this account the general books are balanced, without recourse being had to the Private Ledger. In the Private Ledger one account is opened for all the transfers from the General Ledger, and the various items of which this account is composed are there analysed and distributed under their proper heads, after which the general account of 'Profit and Loss' is made up, the 'Current' and 'Capital' accounts adjusted, and the Private Ledger balanced.

TRIAL BALANCE.

Fol.		Drs. £	s.	d.	Crs. £	s.	d.
1	J. Bruce (Capital Account)	2415	10	0	9954	16	0
„	G. Williams (ditto)				2500	0	0
„	Wine	8454	0	0	3875	0	0
„	Brandy	1080	0	0	451	10	0
2	Bills Receivable	1779	18	0	1329	18	0
„	Bills Payable	1250	0	0	2445	0	0
„	Business Premises	1700	0	0	10	0	0
„	Cash	6923	19	4	5009	11	2
3	Petty Cash	10	0	0	9	4	0
„	S. Nokes	1550	0	0	1550	0	0
„	J. Smith	2240	0	0	2115	0	0
„	J. Douglas	444	14	0	958	0	0
4	J. Good	458	0	0	458	0	0
„	F. Brook	430	0	0	430	0	0
„	T. Sandford	625	0	0	625	0	0
„	W. Brown	1320	0	0	1320	0	0
5	J. Cooper	1210	0	0	1210	0	0
„	J. Harvey	180	6	0	180	6	0
„	F. Haynes	290	10	0	290	10	0
„	J. King	800	6	8	500	6	8
6	J. Reeves	69	0	0	69	0	0
„	P. Walsh	625	0	0	300	0	0
„	R. Green	1351	2	6			
„	J. West				30	0	0
7	Interest and Discount	61	2	5	52	6	8
„	Commission				17	0	0
„	Salaries	75	0	0			
„	Insurance	20	4	6			
8	Trade Charges	23	10	8			
„	Bad Debts	90	6	0			
„	Consignment to R. Green	1400	0	0	1350	0	0
„	J. Bruce (Current Account)	200	14	2	35	5	9
9	G. Williams (ditto)				12	10	0
„	Profit and Loss	10	0	0			
		37088	4	3	37088	4	3

BALANCE

Dr. *Balance Sheet of* JAMES BRUCE AND

LIABILITIES.	£	s.	d.	£	s.	d.
To Sundry Creditors, viz.:—						
On Bills Payable	1195	0	0			
On Open Accounts, as under:—						
J. Douglas..... £513 6 0						
J. West..... 30 0 0						
	543	6	0			
				1738	6	0
To Capital Accounts, viz.:—						
To J. Bruce.....	7600	5	9			
To G. Williams	2587	19	5			
				10188	5	2
				11926	11	2

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